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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

10 November 1958

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Prospects in Iran

1. The basic situation in Iran remains as set forth in SNIE 34-58: "Stability of the Present Regime in Iran," 26 August 1958. Although the Shah has made important reform proposals, his will and ability to carry them out remain questionable.

2. SNIE 34-58 estimated that the present political situation in Iran is unlikely to last very long. It pointed out that there is widespread discontent with the manner in which the Shah has consolidated all power under his personal authority and suppressed all real opposition. Emphasis was also placed on dissatisfaction with the continuance of near-feudal economic and social conditions and the lack of tangible results from the expenditure of oil revenues.

3. The SNIE noted that, although we have only limited knowledge of the organization, membership, and military support of existing opposition groups, such groups do exist and are growing. In this

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situation the most probable development was judged to be an attempt by some elements of the military, possibly in collaboration with civilian groups desiring liberal reforms, to force the Shah to return to the role of constitutional monarch.

4. Another possible resolution of the present situation was estimated to be forceful and determined action by the Shah to eliminate corruption in government, to accelerate economic reforms, and to establish at least the beginnings of genuine popular participation in the government. It was judged that if this were to occur, there would be a fair chance of orderly political evolution. Prospects that the Shah would relinquish absolute controls or carry through with programs which would damage the special interests of the royal family, the court, and the ruling class were thought, however, to be slight, and likely to take place only under heavy and continuing pressures from the US.

Reform measures taken by the Shah

5. Since the publication of SNIE 34-58 the Shah has initiated a number of reforms which, if followed through and accompanied by modifications in the authoritarianism of the Shah's personal rule, could lead to the orderly political evolution referred to in the Special Estimate.

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6. The Shah has for the first time held conferences with the press -- a gesture acknowledging the legitimacy of public interest in government. At the press conferences he expressed his determination to root out corruption and carry out a long-range plan for the reform and development of the country. He has caused the Prime Minister to introduce a bill in the Majlis to prohibit government employees from participating in business transactions with the government -- a measure which will fall with particular weight upon the many members of the Majlis who make large sums in dealing with the government. The Shah has also proclaimed that the Royal Family would consider itself bound by the provisions of the bill. Another bill is pending which requires all public servants to declare their family wealth and to explain any future increases. The Majlis has also recently approved a law prohibiting landowners from taking obligatory gifts from peasants. In addition the Shah has decided to make an example of corrupt government officials and has ordered that the heads of three guilty persons be "served to him on a platter" each month.

#### The outlook for Iran

7. The Shah's will and ability to carry out his proposed reforms remain to be demonstrated. His recent proposals for reform

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have temporarily reduced internal pressures, but the general public, as well as the opposition, will watch carefully to see how he follows this promising beginning. The opposition will not be easily content with promises alone, having seen many offered and left unfulfilled in the past. External propaganda will continue to characterize the Shah's reform program as phony. Unless the Shah makes rapid progress in carrying out the promises he has made, many of the opposition are likely soon to resume their plotting. Furthermore, the Shah's reform program may encourage some of the opposition to believe that he is conscious of the weakness of his position and therefore vulnerable to attack.

8. The Shah will face many difficulties in seeking to carry out his promises of reform, if indeed his reform efforts have not come too late to save his position. However much emphasis he may put on the production of tangible evidence that oil royalties have been used wisely, the Plan Organization is unlikely soon to be able to satisfy the suspicious and discontented. There will be massive resistance in the government and among the privileged classes to the Shah's plans for rooting out corruption and his efforts may slacken either because he cannot enforce his orders or because of his unwillingness to match his strength against the power and influence of the privileged class.

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9. In addition to the problems cited above, the Shah will be harrassed by pressures from outside sources -- from the USSR, UAR, and Iraq. He will probably be subjected to attempts to stir up the Kurds, Arabs, and other minorities.

10. Even if the Shah does carry out recent promises to put an end to official corruption and does effect significant economic and social reforms, we do not believe that the general discontent will be stilled or the opposition drop its plans for action against him unless he modifies the autocratic character of his rule and provides more opportunity for participation in government. There have, however, been no indications that the Shah has any intention of giving up any of his present powers.

11. Nevertheless, the fact that the Shah has entered upon a program to end corruption and has committed himself to further reforms indicates that he is aware of the general discontent and the danger to his position if he does not take drastic measures. He may be or may become sufficiently aware of the force of the resistance to his absolute rule to make the decision himself to modify his role.

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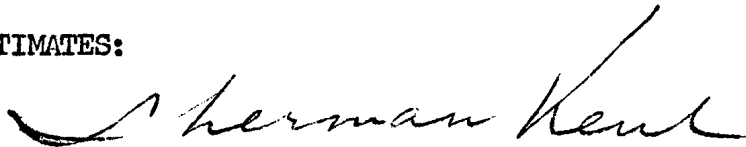
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12. If the Shah's efforts at reform produce encouraging results, and if he grants wider political opportunities, public discontent is likely to subside and the growth of the opposition to slow down. His efforts, however, will for a long time be regarded with scepticism by much of the opposition. If, on the other hand, the Shah's reform efforts fail and if he persists in his authoritarian methods, we continue to believe that within a year or so a move against him by some elements of the military in collaboration with liberal civilian groups will become likely. Such a move would probably be aimed at forcing the Shah into the role of constitutional monarch, although the danger of its leading to the overthrow of the monarchy would be great.

13. We continue to believe that the position of the Shah's regime in Iran is precarious. The Shah has, however, made a good beginning toward the initiation of a process of orderly reform. His will and ability to carry through remain the critical factors.

FOR THE BOARD OF NATIONAL ESTIMATES:



SHERMAN KENT  
Assistant Director  
National Estimates

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